

NATIONAL POLICY STATEMENT No. 27
CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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PART 1 PURPOSE

This policy statement sets out the position of the securities regulatory authorities with respect to the accounting principles to be applied to, and the disclosure to be included in, the financial statements of an issuer, a registrant or other person (collectively an "Issuer") required to file financial statements with a securities regulatory authority in any province or territory in Canada in accordance with the requirements of:

- (i) the statutes concerning the regulation of securities markets and trading in securities in a jurisdiction, and the regulations in respect of these statutes ("Securities Legislation"), or
- (ii) the blanket rulings and orders made under the Securities Legislation of a jurisdiction, and the policy statements and written interpretations issued by the securities regulatory authority of that jurisdiction ("Securities Requirements").

PART 2 APPLICATION

This policy statement applies to all financial statements that are required to be filed by an Issuer under the Securities Legislation of any jurisdiction, unless otherwise specified in, or exempted by, the Securities Legislation of that jurisdiction, and that are required to be prepared in accordance with, or reconciled to, generally accepted accounting principles in Canada ("Canadian GAAP"). Where an Issuer is required to file other financial information, such as selected financial data or management's discussion and analysis of financial condition and results of operations, with the securities regulatory authorities of a jurisdiction, that information must be prepared on a basis that is consistent with the principles applied in the financial statements.

PART 3 DEFINITION OF CANADIAN GAAP

- 3.1 *Financial statements to be prepared in accordance with Canadian GAAP* - The Securities Legislation of certain jurisdictions requires, subject to certain exceptions, that financial statements be prepared in accordance with Canadian GAAP and any applicable provisions of the Securities Legislation. Where the Securities Legislation of a jurisdiction is silent on the issue of compliance with generally accepted accounting principles, the securities regulatory authorities nonetheless require that Issuers prepare their financial statements in accordance with Canadian GAAP.
- 3.2 *Interpretation of Canadian GAAP* - When used in Securities Legislation, "generally accepted accounting principles" has the meaning ascribed to this term in the Handbook of the Canadian Institute of Chartered Accountants (the "CICA Handbook"). Issuers and their advisors should refer to section 1000 of the CICA Handbook for a full discussion of financial statement concepts and

other sources of Canadian GAAP [FOOTNOTE 1: Regulated Issuers - The Securities Legislation of certain jurisdictions may exempt certain regulated Issuers from preparing their financial statements in accordance with Canadian GAAP and the applicable provisions of the Securities Legislation where Canadian GAAP has not been established. In these circumstances, where the regulator establishes the accounting principles to be followed or where the regulator clarifies Canadian GAAP to be applied by the regulated Issuer in the preparation of its financial statements, the financial statements prepared in accordance with the regulatory requirements will be acceptable for purposes of Securities Legislation as long as there are no departures from Canadian GAAP.¹

- 3.3 *Pre-filing conferences* - In those rare circumstances where following a CICA Handbook recommendation would result in the preparation of misleading financial statements, the Issuer together with its auditor should discuss the situation with the appropriate representative of the securities regulatory authority (the "Applicable Regulator"). In addition, in those circumstances when Canadian GAAP is unclear, or where there are no established accounting principles, because of the new or unique nature of the transaction or activity, the Issuer together with its auditor is encouraged to discuss the situation with the Applicable Regulator. Failure to consult with the Applicable Regulator on a pre-filing basis may result in delays in the processing of regulatory filings.
- 3.4 *Additional requirements* - The Securities Legislation and Securities Requirements of certain jurisdictions may impose accounting and disclosure requirements in addition to those set out under Canadian GAAP. Issuers are reminded that they must review the Securities Legislation and Securities Requirements of each jurisdiction in which they are required to file to ensure that their financial statements comply with all applicable requirements.

PART 4 DISCRETION AVAILABLE TO APPLICABLE REGULATOR

Where the accounting principles or practices that the Issuer intends to apply in preparing its financial statements will result in a departure from Canadian GAAP, the Issuer together with its auditor should discuss the situation with the Applicable Regulator. The Applicable Regulator may, if it has the necessary authority under the Securities Legislation of that jurisdiction and it considers it to be in the public interest,

- (1) at the request of the Issuer, and
- (2) upon receipt in writing from the Issuer and its auditor, sufficiently in advance of the filing deadline applicable to the financial statements that give rise to the departure from

¹ Regulated Issuers - The Securities Legislation of certain jurisdictions may exempt certain regulated Issuers from preparing their financial statements in accordance with Canadian GAAP and the applicable provisions of the Securities Legislation where Canadian GAAP has not been established. In these circumstances, where the regulator establishes the accounting principles to be followed or where the regulator clarifies Canadian GAAP to be applied by the regulated Issuer in the preparation of its financial statements, the financial statements prepared in accordance with the regulatory requirements will be acceptable for purposes of Securities Legislation as long as there are no departures from Canadian GAAP.

Canadian GAAP, of all relevant information including the basis of accounting or disclosure that is not in accordance with Canadian GAAP and that has been selected by the Issuer, exercise its discretion to accept financial statements that are not prepared in accordance with Canadian GAAP when the financial statements are filed. In certain jurisdictions the Applicable Regulator may require the holding of a public hearing as part of its consideration of the Issuer's request. Reference should be made to National Policy Statement No. 50 for further information on the securities regulatory authorities' position where financial statements are accompanied by an auditor's report containing a reservation of opinion.

PART 5 EFFECTIVE DATE

- 5.1 Effective date - This policy statement is effective December 31, 1992.

- 5.2 Policy statement repealed - National Policy Statement No. 27 dated December 7, 1972 and its subsequent revisions dated July 26, 1977, October 21, 1977 and November 2, 1979 are repealed upon the coming into effect of this policy statement. The notice issued in relation to National Policy No. 27 entitled "Recommendations of the Canadian Institute of Chartered Accountants - 3470.13 Tax Allocation Accounting Practices" dated March 28, 1974 is also repealed upon the coming into effect of this policy statement as the principles enunciated in that notice are contained in the CICA Handbook.